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OFFICE OF THE LEGISLATIVE FISCAL ANALYST
FINANCIAL REPORT
Fiscal Year Ending June 30, 1981



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STATE OF MONTANA
OFFICE OF THE LEGISLATIVE FISCAL ANALYST
FINANCIAL REPORT
Fiscal Year Ending June 30, 1981

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122



JAMES H. GILLETT, C.P.A.
ACTING LEGISLATIVE AUDITOR

September 1981

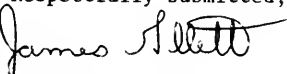
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Legislative
Fiscal Analyst for the year ended June 30, 1981.

The audit was conducted by Hugh McWhorter, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,


James H. Gillett, CPA
Acting Legislative Auditor

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List of Officials

Senators

Gary C. Aklestad

Jack Haffey

George McCallum

Pat Regan

Ed B. Smith, Chairman

Fred Van Valkenburg

Representatives

Francis Bardanouve

Esther Bengston

Thomas Conroy

Gene Donaldson

Bob Marks

Jack K. Moore

Acting Legislative Fiscal Analyst

Judy Rippingale

Legislative Fiscal Analyst

Summary Recommendations
And Responses

Recommendation:

Assess payroll taxes and withhold Federal and State taxes on legislator "salaries" received pursuant to M.C.A. 5-2-302.

Response:

Legislature as a whole may want to address this subject. They may decide to clarify the law or go on the state payroll system.

Recommendation:

Designate someone other than the Legislative Fiscal Analyst to approve the Legislative Fiscal Analyst's expense and time reports.

Response:

Current procedures are in accordance with the administrative rules of Montana. The audit provides a final check on expenditures.

HUGH A. McWHORTER
CERTIFIED PUBLIC ACCOUNTANT
2103 GOLD RUSH AVE.
HELENA, MONTANA 59601

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

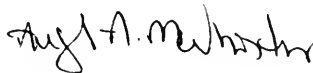
PHONE 406/443 1461

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of the General Fund and the General Fixed Asset Account Group of the Office of the Legislative Fiscal Analyst for the fiscal year ended June 30, 1981, listed in the foregoing table of contents. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of the General Fund and the General Fixed Asset Account Group of the Office of the Legislative Fiscal Analyst as of June 30, 1981, and the results of operations of the General Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information appearing on page 9 and the column on the accompanying balance sheet captioned "Total - Memorandum Only" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



August 13, 1981
Helena, Montana

Office of the Legislative Fiscal Analyst

Combined Balance Sheet

June 30, 1981

	General Fund	General Fixed Assets Group of Accounts	Totals (Memorandum Only)
<u>ASSETS</u>			
Prepaid Expenses	\$ 150	\$ --	\$ 150
Due from State of Montana General Fund	\$26,299	\$ --	\$26,299
Equipment	\$ --	\$59,231	\$59,231
Other Fixed Assets	\$ --	\$ 2,195	\$ 2,195
	<u> </u>	<u> </u>	<u> </u>
	\$26,449	\$61,426	\$87,875
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES, RESERVES, AND</u>			
<u>FUND BALANCE</u>			
Accounts Payable	\$20,950	\$ --	\$20,950
Accrued Support Expenditures	\$ 5,499	\$ --	\$ 5,499
Investment in General Fixed Assets	\$ --	\$61,426	\$61,426
Fund Balance	\$ --	\$ --	\$ --
	<u> </u>	<u> </u>	<u> </u>
	\$26,449	\$61,426	\$87,875
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes to financial statements are an integral part of this statement.

Office of the Legislative Fiscal Analyst

Statement of Revenues, Expenditures,
And Changes In General Fund Balance

Fiscal Year Ended June 30, 1981

	General Fund		
	Budget	Actual	Variance
Revenues	\$ --	\$ --	\$ --
Expenditures	\$462,933	\$410,080	\$ 52,853
Excess of Current Revenue Over (Under) Current Expenditures	(462,933)	(410,080)	(52,853)
Other Financing Sources (Uses):			
Prior Year Adjustments	\$ --	\$ (185)	\$ 185
Support From State General Fund	462,933	410,265	52,668
Total Other Financing Sources	\$462,933	\$410,080	\$ 52,853
Excess of Revenues and Other Sources Over (Under) Expenditures And Other funds	\$ --	\$ --	\$ --
Fund Balance, July 1, 1980	\$ --	\$ --	\$ --
Fund Balance, June 30, 1981	\$ --	\$ --	\$ --

The accompanying notes to financial statements are an integral part of this statement.

Office of the Legislative Fiscal Analyst

Notes To Financial Statements

Year Ended June 30, 1981

(1) General Information and Summary of Significant Accounting Principles.

Pursuant to the provisions of the Montana Code, the Legislative Fiscal Analyst:

- * provides for fiscal analysis of state government and accumulates, compiles, analyzes, and furnishes such information bearing upon the financial matters of the state that is relevant to issues of policy and questions of statewide importance including but not limited to investigations and study of the possibilities of effecting economy and efficiency in state government;
- * estimates revenue from the existing and proposed taxes;
- * analyzes the executive budget and budget requests of selected state agencies and institutions, including proposals for the construction of capital improvements;
- * makes the reports and recommendations he deems desirable to the Legislature and makes reports and recommendations as requested by the Legislative Finance Committee and the Legislature; and
- * assists committees of the Legislature and individual legislators in compiling and analyzing financial information.

The financial statements have been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles as defined by The National Council On Governmental Accounting. Consistent with these principles:

- * equipment is expensed when acquired and subsequently capitalized in the General Fixed Asset Group of Accounts, and
- * vested employee benefits (vacation and sick leave) are recognized when the expenditure is made rather than when the related liability is incurred.

Office of the Legislative Fiscal Analyst

Notes to Financial Statements

Year Ended June 30, 1981

(2) Appropriations.

Appropriations reflected in the budget column of the Statement of Revenue, Expenditures and Changes In General Fund Balance represent the sum of:

- * unexpended appropriations as of July 1, 1980 from 1979 House Bill No. 1 (\$20,724);
- * the applicable appropriation from 1981 House Bill No. 1 (\$3,800) and
- * appropriation from House Bill No. 483.

(3) General Fund Assets.

At June 30, 1980, General Fixed Assets aggregated \$60,719. During fiscal year 1981, \$707 of fixed assets were purchased. Since there were no retirements of fixed assets during fiscal year 1981, the Agency's investment in general fixed assets aggregated \$61,426 at June 30, 1981.

(4) Prior Year Expenditures.

Pursuant to the provisions of MCA 17-7-304 "any unexpended balance in any specific appropriation may be used for the years for which the appropriation was made." In this regard, the Agency incurred during fiscal year 1981 net prior year expenditures of \$185 relative to fiscal year 1980. The unaudited financial statements for fiscal year 1980 reflect reverted appropriations of \$27,456.

(5) Retirement Plan.

Employees of the Agency participate in the State of Montana's Public Employees Retirement System. Employees contributed 6% of gross wages during fiscal year 1981 with the State contributing 6.2%. Retirement expenditures of \$17,115 were included in Agency expenditures during fiscal year 1981. It is impractical to separately disclose actuarial information for the Agency.

Legislative Fiscal Analyst
Supplementary Information

Office of Legislative Fiscal Analyst

Supplementary Schedule

Of Expenditures

Year Ended June 30, 1981

Personal Services:		
Salaries	\$275,853	
Committee Members' Compensation	\$ 5,176	
Employee Benefits	\$ 46,865	
	<hr/>	
Total Personal Services		\$327,894
Operating Expenses:		
Contracted Services	\$ 27,436	
Supplies and Materials	\$ 11,335	
Communications	\$ 7,308	
Travel	\$ 19,586	
Rent	\$ 7,450	
Repairs and Maintenance	\$ 6,679	
Other Expenses	\$ 1,685	
	<hr/>	
Total Operating Expenses		\$ 81,479
Equipment:		
Office Equipment		\$ 707
		<hr/>
Total Expenditures		\$410,080
		<hr/> <hr/>

HUGH A. McWHORTER
CERTIFIED PUBLIC ACCOUNTANT
2103 GOLD RUSH AVE.
HELENA, MONTANA 59601

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

PHONE 406/443-1461

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of The Legislative Fiscal Analyst for the year ended June 30, 1981, and have issued my report thereon dated August 13, 1981. As part of my examination, I made a study and evaluation of the Agency's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the agency's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of The Legislative Fiscal Analyst is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of The Legislative Fiscal Analyst taken

as a whole. However, my study and evaluation disclosed the following conditions that I believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of The Legislative Fiscal Analyst may occur and not be detected within a timely period.

Legislative Finance Committee Compensation

In accordance with the provisions of MCA 5-2-302, Legislators who serve on The Legislative Finance Committee are currently paid a "salary" during the time the Committee conducts authorized Committee business while the Legislature is not in session. As a salary, this compensation should be subject to Federal and State income tax withholdings, F.I.C.A. and Workers Compensation assessments. Currently, taxes are not being withheld from this compensation, nor are payroll tax assessments being paid. Of particular concern would be the State's financial exposure, if any, to the possibility of injury to a Committee member while on Committee business.

I recommend that this compensation be treated the same as compensation received by Legislators while the Legislature is in session. As such, all applicable taxes would be withheld and payroll assessments made. Concurrent with this change, it would seem appropriate for someone to assess the State's liability, if any, for previously unpaid F.I.C.A. and Workmen's Compensation assessments.

It is my understanding that this observation has relevance to compensation paid to members of Committees other than the Legislative Finance Committee.

This condition was considered in determining the nature, timing, and extent of the audit tests applied in my examination of the 1981 financial statements, and this report does not affect my report on these financial statements dated August 13, 1981.

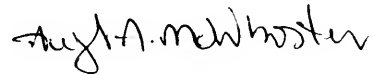
In addition to the above comment, other matters came to my attention during the course of my examination. These comments are set forth in the paragraphs which follow.

Legislative Fiscal Analyst Expense and Time Reports

The Legislative Fiscal Analyst currently approves her own expense and time reports. Although the expenses so approved were immaterial in amount in fiscal year 1981, they may not always be immaterial. Although this procedure can be construed to be in accordance with A.R.M., good business practice dictates and I recommend that expenditures as well as time sheets be approved by someone other than the preparer. Perhaps someone on the Legislative Finance Committee could be designated to serve in this capacity. As a practical matter approvals could be made on an after the fact basis.

* * * * *

I appreciate the courtesies extended to me by the Acting Legislative Fiscal Analyst and her staff during the course of my examination and look forward to discussing the results of the audit with the Legislative Audit Committee.

A handwritten signature in black ink, reading "Ray A. McWhorter". The signature is written in a cursive style with a large, prominent initial "R".

August 13, 1981
Helena, Montana



STATE OF MONTANA
Office of the Legislative Fiscal Analyst
Room 109
STATE CAPITOL
HELENA, MONTANA 59601
406/449-2986

September 11, 1981

Hugh A. McWhorter
Certified Public Accountant
2103 Gold Rush Ave.
Helena, MT 59601

Dear Mr. McWhorter:

The office is pleased to receive an unqualified opinion.

In your management letter you noted two areas that concerned you. First, the legislators method of receiving compensation for interim meetings as per diem rather than as salaried employees. Second, the fiscal analyst having the final approval over his/her own expenses and time sheets.

To my knowledge all legislators receive their interim meeting pay as per diem rather than salary. The legislature as a whole will need to address how they want to have their compensation paid for meetings during the interim. If they wish to continue receiving per diem then perhaps they will clarify the law or they may decide to go on the state payroll.

You noted that the fiscal analyst has the final approval for his/her own expenses and time sheets. As noted by the department of administration in the Administrative Rules of Montana, section 2.4.154, agency directors are the approving authority for their expenditures. The audit provides a final check on expenditures. The finance committee is responsible for hiring a competent director who is then responsible for administering the office. All audits of this office have had an unqualified opinion.

Sincerely,



Judy Rippingale
Acting Legislative Fiscal Analyst

JR:ve:k

